

DRAFT

**ACCESS AMERICA FOR STUDENTS:
IMPLICATIONS FOR MODERNIZATION**

BRIEFING DOCUMENT

**ADVISORY COMMITTEE ON
STUDENT FINANCIAL ASSISTANCE**

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EXECUTIVE SUMMARY

Last January, the Advisory Committee examined Access America for Students (AAS) – the Performance-Based Organization (PBO)’s centerpiece of modernization. At that time, AAS was found to be a detour on the road to system and database integration and true modernization. This paper reexamines each of AAS’s original components for: criticality to the PBO’s overall modernization strategy; consistency with previous systems requirements work accepted by the Department of Education (the Department); relevance and importance to systems integration; possible redundancy and/or inconsistency with client systems; community reaction thus far; and current status in the AAS Strategic Plan.

The following conclusions are drawn (see Exhibit One):

- Several components of AAS that are key to the PBO’s overall modernization strategy, including a new student account, student web access to data, and “Just-In-Time” have come under significant scrutiny (and have been implicitly modified) without formal revision to either the AAS Strategic Plan or its modernization strategy -- in particular, the reliance on middleware and system wrappers as solutions.
- Six of ten of the enhancements promised by AAS were never identified as requirements in previous design work, are not critical to integration, are redundant or inconsistent with client systems, and considered unnecessary or undesirable by the community.
- Only four--integration of origination and disbursement, “Just-In-Time”, an electronic signature, and improved program integrity--were identified and accepted by the Department as requirements in previous design work.
- Of those four, only two--integration of origination and disbursement and improved program integrity--meet all four conditions of being a previously identified requirement, deemed critical to integration, not redundant or inconsistent with client systems, and viewed favorably by the community.

This suggests that the PBO should consider revising the AAS strategic plan and reexamining the emphasis on middleware and system wrappers. In addition, the PBO should:

- focus the AAS pilot project on integration of origination/disbursement and improved program integrity;
- carefully reassess the feasibility of a “Just-In-Time” system that in effect will burden only direct loan institutions; and
- specify a detailed analysis of the feasibility and desirability of an electronic signature.

In addition, integration of origination and disbursement must be coordinated with integration of the Title IV databases. Finally, since the entire National Automated Clearinghouse Association (NACHA) data standards exercise derives from components of AAS that should be eliminated, this initiative should be suspended until the AAS project is appropriately reconfigured.

EXHIBIT ONE: EVALUATING AAS COMPONENTS

<u>AAS Component</u>	<u>Key to PBO Strategy?</u>	<u>Preexisting Requirement?</u>	<u>Required for Integration?</u>	<u>Redundant/ Inconsistent?</u>	<u>Community Assessment</u>
New Student Account	Yes	No	No	Yes	Unnecessary
Credit Card	No	No	No	Yes	Unnecessary
Web Access To Data	Yes	No	No	Yes	Unnecessary
Access to Non-Federal Data	No	No	No	Yes	Unnecessary
More Student Control	No	No	No	Yes	Undesirable
Integration of Origination	Yes	Yes	Yes	No	Desirable
“Just-in- Time”	Yes	Yes	No	No	Ambiguous
Electronic Signature	No	Yes	No	No	Ambiguous
Development by Pilot	Yes	No	No	Yes	Inadequate
Program Integrity	No	Yes	Yes	No	Desirable

BACKGROUND

For about five years, there has been virtually unanimous agreement in the higher education community regarding the deficiencies of the Title IV systems and contracts. Until last year, an “on again, off again” modernization process--Project EASI--had been underway that had yet to eliminate the most serious of those system deficiencies. This is in spite of the fact that millions of dollars had been spent to identify the architecture of the future system and formulate a transition strategy that moves current systems toward the future system.

The creation of the PBO and hiring of a Chief Operating Officer (COO) came at a time when resources available for modernization were scarcer than ever before and current modernization efforts had hit serious snags. In spite of the urgency of modernization, the systems environment exhibited a troubling feature: It was not at all clear that there was agency-wide agreement about a future system architecture for core Title IV systems, much less the details and schedule of the necessary Transition Plan. Complicating matters further, the Y2K problem seemed to have absorbed most, if not all of the funds that were to finance systems modernization. These funds were to be used for translating broad strategies into specific, subsystem-by-subsystem plans and specifications; and then implementing the specific improvements.

Against this backdrop, confusion about the role of Project EASI and preoccupation with an initiative called Access America--as originally conceived, a rather narrow pilot project that could not solve the fundamental problems facing the PBO's systems--threatened to further divert attention from integration and true modernization and absorb what scarce resources remained. Taken together, these factors described a system, contracts and resource landscape that could prove quite inhospitable to modernization.

In response, last January the Advisory Committee suggested that unless these issues were revisited soon in very specific terms, it appeared that very little significant integration and modernization would take place over the next five years. As of last January, not one system or contract had been eliminated. Indeed, the “Band” acquisition strategy had led to more contracts.

The Advisory Committee also suggested--and the higher education community unanimously agreed--five straightforward ways to reenergize and refocus the modernization effort. These flowed logically from the design work already performed for and accepted by the Department. They were:

- First, the PBO should move quickly to define the PBO's core system architecture and a specific *revised* Transition Plan. This architecture and plan must be agreed upon and communicated to all parties performing any Title IV systems development work. It must include the purpose, structure and timing of *all* Title IV systems procurements over the next five years; and realistically reflect resources available for new systems development.
- Second, Program Systems Service (PSS) must assure that (a) systems contracts are consolidated *in any event*--even in the absence of significant resources for modernization; and (b) all systems development work (except for Y2K) as well as the development of all future Request for Proposals (RFPs) and contract modifications proceed under the *revised*

Transition Plan with *all* ancillary projects subordinated to the development of the PBO's core internal systems. This included all work on AAS.

- Project EASI, for the present, should drop its overly broad and unworkable concept of modernization and minimize competing interests in incremental enhancements of nonessential functions, concentrate on the *original* goal, and facilitate consensus around the PBO's core system architecture.
- Regardless of resource availability, modernization should begin with integration—in particular, the implementation of an integrated origination subsystem. The approach should be one of efficient prototyping of an integrated Title IV database.
- This prototyping effort should be the primary focus and driver of all Project EASI projects and all work related to the Access America for Students initiative.

It is in this context and against those suggested benchmarks that the resources and attention thus far focused on Access America for Students must be analyzed and evaluated.

In particular, it is important to note the following:

- An agreed upon EASI-Department architecture does not yet exist.
- A specific Transition Plan has yet to be produced.
- No systems contracts or databases have been consolidated nor does there appear to be a specific plan and task to do so.
- Integration of the origination subsystem is confounded with other objectives in an AAS pilot project that is not consistent with previous design requirements.
- AAS adds yet another database.
- There is no task to create an integrated Title IV database; in fact, without a benefit/cost analysis, a decision has been made to “wrap” the databases rather than integrate the databases.

In a very real sense, customer service, narrowly defined, and further AAS development have been substituted for the logical set of integration and consolidation activities the community expected to be undertaken, or at least planned for, in the last year.

Most notable of these expectations was integration of Title IV databases around a single student record. The successful completion of that task alone would eliminate the need for almost the entire apparatus envisioned in the AAS strategic plan. Put another way, given the existence of an integrated Title IV database, AAS would represent an unnecessary stovepipe system.

ACCESS AMERICA FOR STUDENTS

In order to fully understand the PBO's modernization efforts to date, it is important to examine its centerpiece, Access America for Students (AAS) in the context of overall systems development at the Department. After reviewing the original AAS vision and the community's response to it, the following questions are addressed:

- Is the AAS component key to the PBO's current overall modernization strategy? In particular, does that strategy depend on AAS components that have been or require significant modification or elimination?
- Is the AAS component consistent with previous requirements work at the Department and therefore critical to modernization?
- Is the AAS component required for systems or database integration?
- How does each component of AAS--and the AAS vision in general--relate to modern institutional and state systems already in place? Is there redundancy/inferiority?
- What is the community's assessment of AAS components? Is each a step forward or backward for students, institutions, and states?
- What is the status of the component in the AAS Strategic Plan and what are the implications for the PBO's overall modernization strategy.

The answers to these questions will determine whether AAS has an important role to play in Title IV modernization or rather represents a potential diversion of time and resources, as it originally had been evaluated. Most important, is AAS's most fundamental objective, "to provide a single point of contact for accessing information across financial aid industry participants," both feasible and desirable?

AA, AAS, and Title IV Systems Modernization

Last January, the Advisory Committee completed a preliminary assessment of Access America for Students (AAS), the Department's project directly related to Access America (AA), and an outgrowth of Vice President Gore's National Partnership for Reinventing Government (NPR). Conceived as a plan to provide greater access to federal services and benefits, the broad AA initiative identified the need for federal agencies "to band together to develop electronic access tools as a way to improve customer service, provide greater access and awareness, and reduce administrative burden and costs while providing improved data integrity."

Even though AAS arises out of AA's broad mandate to simplify government using electronic technology that cuts across agency barriers (the National Partnership for Reinventing Government), the objectives for the proposed pilot are more limited. AAS is restricted to federal student aid programs, includes only one federal agency and would not test AA's objective to

improve inter-agency delivery of service and does not include student aid resources provided by other sources such as educational institutions, state Governments, and private foundations.

The project would provide a five to ten-school pilot in year one, a 50-school demonstration in year two, with a national rollout in year three. The components include the establishment of a student account at a designated financial institution, issuance of a credit or debit card to the student by the financial institution, disbursement of federal student aid funds through the student account, electronic access to the account by the student through the internet, and a process for consolidating and tracking all financial aid information into a single student based database at a consolidator under contract to the Department. Thus, the Department's narrower AAS effort identified three basic components:

- . a website gateway and linking infrastructure across agencies and universities;
- . an electronic form of identification (card, number and/or digital signature); and
- . a national student account for the delivery of financial benefits.

The plan was to tie the initiative closely to modernization efforts already underway at the Department, in particular Project EASI. The effort was to be an adjunct project designed to streamline student financial aid processes and data, reduce cost, increase accountability, and improve program integrity while providing electronic access to government services for students.

However, it is important to note that previous modernization systems products prepared by PriceWaterhouseCoopers such as, requirements, high level systems architecture, and cost/benefit analyses did not identify or call for two of the fundamental features of AAS, another student account or a credit card, to integrate and modernize the Department's core Title IV systems and databases.

The Original AAS Concept and Initial Community Response

As originally proposed, AAS called for use of a credit/debit card bank model, including use of the Internet for conducting on-line transactions. Participating financial institutions were to provide the student electronic account services under operating agreements established by the federal government, as well as market these services to students and their parents. The participating school would authorize the disbursement of federal funds into the student's account, simultaneously collect tuition and fees, and any excess funds beyond institutional charges would be available via ATM or convenience checks. The bank would issue a commercial branded card linked to a consumer account.

In order to realize the concept outlined above, the Department, lenders, schools and interested financial institutions were to work together to establish a system for the Electronic Student Account including an electronic identification, a student account, and an account consolidator. Under the original AAS concept, the school would work with the participating financial institution to ensure student account setup and disbursement procedures in compliance with regulatory requirements. To provide a single point of contact for accessing information across

financial aid industry participants, the Department was to contract with an entity (consolidator) to maintain an ongoing record of Title IV account(s) activity by student. This consolidator will maintain a consolidated record on each student who has federal student assistance.

While on the surface, AAS in its first configuration appeared to address some of the deficiencies of Title IV delivery, it did not address the major deficiencies--the lack of an integrated student level database. Also, many of the enhancements promised by AAS already existed under the current delivery of student aid funds. For example, electronic disbursement of student aid funds already occurs, excess funds are deposited into student bank accounts electronically by institutions, reconciled electronically, and students can fill out FAFSAs electronically. Several other major issues arose:

- . AAS proponents claimed that the Department's systems need not be integrated to achieve the benefits of card technology; but card technology *assumes* integration of underlying systems.
- . If the ultimate objective of this initiative is a "federal benefits card" that functions across agencies, the feasibility or desirability of such a card could not be tested in a pilot restricted to only federal student aid and only at institutions of higher education.
- . There appeared to be no separate and logical purpose for introducing "card technology" into Title IV student aid delivery. It did not appear to solve any federal, state, institutional, and/or student problem in Title IV delivery.

Most important, the original card-based concept did not integrate delivery in any way--it was yet another stovepipe system. It did not streamline government or institutional processes, or benefit students significantly. It was unclear how this card would be related to the student's own credit or institution card. Lastly, the card could not deliver all forms of federal, institutional, state and private student aid without confronting important governance and legal issues.

Currently, at many institutions, federal, state, institutional and private aid *are already integrated by a nearly paperless, cardless, automated payment system* for the majority of students; other institutions use a campus card for all institutional services including student aid. And this is the direction most institutions are headed. The addition of another card, another account, and another system did not appear to improve matters; it would only divert resources and attention from modernizing the Department's systems and contracts.

Informal Revisions to the Original AAS Vision

In response to these concerns, AAS seemed to move in a very different direction, with a design more compatible with existing Title IV delivery. The following components were publicly de-emphasized :

- A credit card and card-based system with linkages across agencies.

- A new, separate student account maintained by a financial institution through which federal funds flowed to institutions and students.
- The need for a consolidator.

Rather, the new AAS appeared to be moving in the direction of a “student account manager”--a somewhat truncated database that could integrate origination, drawdown, disbursement and reconciliation functions for the institution and integrate a student’s *federal* data. Interestingly, this revised version of Access America amounted to little more than *a portion of* a fully integrated, student level database--an enhancement that the Advisory Committee had been recommending for years.

However, there have continued to be references to the “original” vision in subsequent AAS documents. A card has been moved to out-year implementation. And there is still the issue of AAS becoming yet another stovepipe system and contract. That is, it is not at all clear that its development and implementation will lead systematically to the elimination of other existing Title IV systems, databases and contracts with which it would be redundant. While it is apparent to most observers that AAS should not be developed and/or implemented apart from the modernization of major Title IV systems and contracts, it is not clear that this would not in fact happen.

Because what components and features are “in” and what components are “out” regarding the current AAS vision, it is necessary to systematically review *all* of the original components and features to determine how best to proceed with AAS development and overall systems modernization.

EVALUATING ORIGINAL COMPONENTS OF THE AAS VISION

As originally conceived, AAS had ten distinct components that, taken together, proponents hailed as the centerpiece of Title IV modernization. They can be broken down roughly into three areas.

- Student benefits
 - A new student account
 - A credit card and card-based system
 - Web access to federal data
 - Web access to non-federal data
 - Greater student control over student aid funds
- Institutional (and government) benefits
 - Integration of origination
 - A “Just-in-Time” institutional disbursement process
 - An electronic signature
 - Development by pilot project
- Government (and institutional) benefits
 - Improved program integrity

To fully understand and evaluate AAS, it is necessary to examine each of these components for the role it plays in the PBO’s overall modernization strategy, its consistency with previous systems requirements work at the Department, its relevance and importance to systems and data integration, its redundancy and consistency in relation to client (state and institutional) systems, the community’s assessment of it thus far, its current status in the AAS Strategic Plan, and the implications, if any, for the PBO’s overall modernization strategy.

In particular, if a component plays a key role in the PBO’s modernization strategy, but was not identified as a requirement in previous design work, is not critical to modernization, is redundant and inferior to client systems, and viewed with disfavor by the community, it should be considered a candidate for possible elimination from the AAS project.

A New Student Account

The most fundamental change envisioned by AAS was the creation of a new student account, originally at a bank through which funds would flow. While a separate account at a financial institution *appears* to have been dropped from “Access America for Students,” it continues to come up in documents, presentations, and discussions under the rubric of “providing students a single point of contact for all financial aid transactions.”

Key to PBO’s Modernization Strategy? The concept of a new federal student account, separate from the account at the institution and distinct from the integrated federal

student record called for by the community, has played a critical role in determining the PBO's overall approach to modernization. It was the original rationale for, and what continues to implicitly drive the PBO's justification of middleware and system wrappers, to the detriment of system and database integration. (It must be distinguished also from the "virtual" student account—with which its relationship is unclear.)

Preexisting Requirement? A new student account was not a key feature of the PriceWaterhouseCoopers requirements; that is, it was not identified as an element critical to modernization. While believed to be of key importance by AAS proponents, such an account is technically and logically distinct from Title IV database integration (an integrated student record), or integration of the origination subsystem and would be rendered unnecessary if either were undertaken successfully.

Necessary for Integration? A separate student account – especially at a financial institution -- does not address deficiencies in Title IV delivery: for students, who already have a bank account; for institutions, which already have an integrated student account; or for ED, whose systems and databases require an *integrated* database and student record. In particular, a student account with only Pell and direct loans, as now envisioned by AAS, would be of little use to students or institutions.

Redundant/Inconsistent with Client Systems? Regardless of the data contained in the account, it would be redundant with respect to the existing student account at the institution, the source from which most of the data would flow. If Title IV databases are integrated, the resulting integrated student record would render the proposed AAS student account completely superfluous.

Community Assessment? A separate student account would be burdensome for institutions and is not necessary to integrate and simplify the origination and disbursement process. It would provide few, if any, benefits to students and institutions. Accordingly, it is considered a step backward by most of the community. Most important, the community believes that the PBO's goal of "providing a single point of contact for all financial aid transactions" is neither feasible nor desirable.

Status in AAS Strategic Plan? The COO should consider formally eliminating the notion of a separate student account at a bank from the AAS strategic plan.

This implies also that the PBO seriously reconsider technical solutions such as middleware and system wrappers and concentrate on integration.

A Credit Card and Card-Based System

While the use of a card *appears* to have been moved to out-year implementation, it continues to come up in AAS documents and presentations.

Key to PBO's Modernization Strategy? A credit card or credit card-based system is not key to the overall modernization plan.

Preexisting Requirement? Like the new student account, use of a credit card and card-based system was never identified as a requirement in any previous design work at the Department. Indeed, the usefulness of a card in solving any of the Title IV systems and data problems had been thoroughly discounted on numerous occasions.

Required for Integration? Cards do not address deficiencies in Title IV delivery: for students who already have one or more cards; for institutions, many of which already have their own campus card; or for the Department, whose systems and databases must be integrated--a precondition for the use of cards and card-based systems.

Redundant/Inconsistent with Client Systems? Many institutions have systems that are more advanced than card-based systems. A new AAS card would be both redundant and inconsistent with client systems.

Community Assessment? This would clearly be a step backward.

Status in AAS Strategic Plan? Pushed to out-year implementation.

The COO should consider formally eliminating the notion of a credit card-based system from the AAS strategic plan.

Student Web Access to Federal Data

The fact that an integrated database and student record still does not exist makes providing students access to their federal data--web-based or not--very difficult. However, the student already has access to all of his/her federal and non-federal financial aid data through the institution--in many cases, this access is web-based. To use scarce resources in AAS to provide students web access to two data elements, Pell and direct loans, makes little sense and provides minimal benefits to students.

Key to PBO's Modernization Strategy? Along with a new student account, this is key to the PBO's overall modernization strategy.

Preexisting Requirement? Providing students appropriate and reasonable access to federal data in the Department's databases has been a modest priority for years.

Required for Integration? Providing students web access to an integrated student record should logically occur after databases are integrated and such a record exists.

Redundant/Inconsistent with Client Systems? As envisioned in AAS, web access to only Pell and direct loans is totally redundant and of little use to students.

Community Assessment? Institutions see little benefit for students and no benefit for themselves in the federal government providing web access to two data elements.

Status in AAS Strategic Plan? This component is unchanged from the original vision.

The COO should consider formally eliminating student web access to data on Pell and direct loans from the AAS strategic plan. Access to the integrated student record can be provided after Title IV databases have been integrated.

Student Web Access to Non-Federal Data

A separate account and database requiring that institutions, states, and private parties supply non-federal data continues to be discussed in long-term plans for AAS.

Key to PBO's Modernization Strategy? This played a key role in the original vision but appears to have been pushed to out-year implementation through a virtual student account.

Preexisting Requirement? Providing students web access to non-federal data has never been identified as a requirement in previous design work.

Required for Integration? A separate federal database with non-federal data does not address deficiencies in Title IV delivery: for students, who already have access to these data through the institution; for institutions, which already have the data; or for the Department, whose systems and databases need not contain such data.

Redundant/Inconsistent with Client Systems? Access to these non-federal data is already provided by the institution.

Community Assessment? This is unnecessary and there would be serious privacy issues with any requirement that institutions populate a federal database with non-federal data.

Status in AAS Strategic Plan? Pushed to out-year implementation.

The COO should consider formally eliminating student web access to non-federal data from the AAS strategic plan. Access to the integrated student record can be provided after Title IV databases have been integrated.

Greater Student Control Over Aid Funds

Giving students greater control over the disbursement of student aid funds played a key role in the original vision but appears to have been downplayed or eliminated.

Key to PBO's Modernization Strategy? This does not play a key role in the PBO's approach to modernization.

Preexisting Requirement? Providing students greater control over financial aid funds has never been identified as a requirement in previous design work.

Required for Integration? Likewise, lack of control has never been defined as a Title IV delivery system deficiency.

Redundant/Inconsistent with Client Systems? Institutions and states already have mechanisms in place to maximize convenience while ensuring accountability.

Community Assessment? Institutions and states consider this objective irrelevant at best, potentially harmful at worst.

Status in AAS Strategic Plan? Eliminated or pushed to out-year implementation.

The COO should consider formally eliminating providing students greater control over student aid funds from the AAS strategic plan.

Integration of Origination/Disbursement

Integrating the existing separate program-specific origination and disbursement processes has been an important priority for years and is a byproduct of integrating Title IV databases.

Key to PBO's Modernization Strategy? This is key to the PBO's overall modernization plan but has been confounded with other AAS pilot components.

Preexisting Requirement? This has been a fundamental requirement for years.

Required for Integration? Integrating the origination/disbursement subsystem and Title IV databases is the most important step in modernization.

Redundant/Inconsistent with Client Systems? If designed properly, this federal subsystem would interface seamlessly with institution and state systems.

Community Assessment? There has been very wide support for years for integrating origination and disbursement.

Status in AAS Strategic Plan? This implicitly remains in the plan.

The COO should consider formally making integration of the origination/disbursement subsystem the primary focus of the AAS strategic plan.

A "Just-In-Time" Origination/Disbursement Process

There has been great interest for years on the part of the Department and OMB in implementing a "Just-In-Time" origination/disbursement process.

Key to PBO's Modernization Strategy? This was an original component of AAS but its feasibility and desirability have been compromised by recent decisions.

Required for Integration? Yes.

Critical to Modernization? Most modern financial systems are designed to operate on a "Just-In-Time" basis. It is logical that origination/disbursement would also.

Redundant/Inconsistent with Client Systems? A properly designed “Just-In-Time” system need not be redundant to institutional systems.

Community Assessment? Because of the manner in which AAS has decided to implement the Student Account Manager (SAM) for FFELP institutions – that is, by using ELM -- a “Just-In-Time” system would involve only direct loan funds. This draws into question its desirability.

Status in AAS Strategic Plan? This is still in the strategic plan.

The COO should reexamine the requirement of a “Just-In-Time” system because of its disparate impact on direct loan institutions and revise the AAS strategic plan.

An Electronic Signature

AAS has emphasized the need for an electronic signature to facilitate web-based processes. The goals are to increase the use of FAFSA on the web by expanding the distribution of ID and PIN numbers (formerly known as electronic access codes) and to identify paper-based processes that can be converted to electronic processes with PIN verification. AAS will also experiment with the use a digital certificate.

Key to PBO’s Modernization Strategy? This is helpful but not key to the PBO’s overall modernization strategy.

Preexisting Requirement? An electronic signature has been identified as a desirable enhancement to Title IV delivery. In AAS, the certificate will be issued under a government-wide contract through ACES, and several federal agencies are exploring possible applications.

Required for Integration? While not absolutely necessary for modernizing the Department’s core systems, an electronic signature would be a step forward.

Redundant/Inconsistent with Client Systems? Digital certificates use an encryption algorithm that provides a higher level of security than a PIN, however, the technology is evolving and there are unresolved issues that limit widespread acceptance according to Andy Boots, the Privacy Champion for Access America. The certificate has limited portability, that is, it must be stored on a hard drive or floppy disk. Portability can be improved by using a smart card to store the certificate code, but then, a computer would require a card reader to activate user verification.

Community Assessment? Digital certificates are not legally enforceable as a valid signature for promissory notes. Another concern is developing a distribution process for digital certificates. Because the certificates have a high standard for proof of identity, face-to-face contact with supporting documents, such as a birth certificates and drivers licenses, is required to issue the certificate. Possible distribution points are school registrars, testing organizations, banks, post offices or motor vehicle licensing offices.

The limitations of digital certificate technology may be resolved within five years.

Status in AAS Strategic Plan? This is still in the plan.

The COO should modify the AAS strategic plan to carefully assess the feasibility of an electronic signature and how one might be implemented with minimal burden.

Development By Pilot Project

An AAS pilot project was initiated as an adjunct to the PBO's current efforts to modernize their information systems that would use credit card technology to create a student account-based system to support the delivery and accountability of student aid. The purpose was to streamline, simplify and improve student aid processes and data; reduce cost and improve program integrity and oversight; and provide electronic access to government services for students.

The innovations that were to be developed and tested by the proposed pilot included: credit or debit cards issued to each federal student aid recipient and available, at the option of educational institutions, to non-aid recipients; an electronic or digital signature as a method for authenticating individuals students for on-line electronic processing; use of the internet in federal student aid processing; electronic disbursement of federal student aid to an individual student bank account; and most important, a single student record for all federal student aid programs;

Key to PBO's Modernization Strategy? The use of a pilot to both develop and test is key to the "buy a little, test a little, fix a little" approach to modernization.

Preexisting Requirement? A pilot was never identified as an appropriate protocol for developing the system of the future. There is a difference between using a pilot to test and using a pilot to develop. In addition, a study commissioned by Project EASI found that existing credit card technology was inadequate to handle the unique requirements related to student financial aid disbursement. The technology used for processing debit card transactions offered more potential but would still require enhancement to meet the defined needs for student aid disbursement. Few, if any, advantages were found for either technology.

Required for Integration? The AAS pilot is not related in any way to integration of Title IV databases. The AAS pilot does not address how the databases necessary to support their initiative will be established and maintained. The AAS pilot promises a miracle fix to the PBO's systems problems through the development of a separate student database created and maintained through redundant reporting structures that by admission include only a portion of the information needed by the Department to manage and inform its student aid programs.

Redundant/Inconsistent with Client Systems? Financial aid comes from a variety of sources, as described above, and there are important statutorily defined interrelationships among the various sources of aid. To ignore this phenomenon adds an additional layer of confusion to an already complex process. Without question, educational institutions, students, banks, loan servicers, state financial aid agencies, the Department and other

participants in the student loan industry will inevitably face additional and redundant reporting requirements. An AAS credit card is not critical to modernization.

Community Assessment? Participation in the most critical aspects of the pilot has been discouraging—even by those institutions whose representatives are pushing the project. Given what little participation there has been and its nature, it is not clear that the critical components of Access America will be adequately tested before “roll out.”

In addition, software prototyping, testing, and implementation are not staged properly: Integration of origination should be done first -- before a “Just-In-Time” process is implemented. These are separate functions, from both a technical and policy perspective.

Status in AAS Strategic Plan? Appropriate revisions in the pilot have not been made in response to under participation and changing AAS specifications.

Improved Program Integrity

AAS was to improve program integrity primarily by the installation of a Just-In-Time origination and disbursement systems.

Key to PBO’s Modernization Strategy? This PBO has considered this key to the overall modernization strategy.

Preexisting Requirement? Yes, improved program integrity has been identified for years as a requirement.

Required for Integration? Improved program integrity would be a product of system and database integration.

Redundant/Inconsistent with Client Systems? No.

Community Assessment? Since a “Just-In-Time” would impact only direct loan institutions in the AAS scheme, there is little that would improve program integrity other than integrating the origination/disbursement subsystem.

Status in AAS Strategic Plan? This is unchanged—that is, not revised in light of decisions that FFEL loan funds would not be subject to the Just-In-Time process.

The COO should modify the AAS strategic plan to carefully assess the feasibility of a Just-In-Time system and how one might be implemented with minimal burden on direct loan schools.

**EXHIBIT TWO: COMPONENT STATUS, COMMUNITY ASSESSMENT
AND IMPLICATIONS FOR PBO MODERNIZATION STRATEGY**

<u>AAS Component</u>	<u>Current Status in Strategic Plan?</u>	<u>Community Assessment</u>	<u>Implications for PBO's Strategy?</u>
New Student Account	Ambiguous	Unnecessary	Major
Credit Card	Optional	Unnecessary	Minor
Web Access To Federal Data	Required	Unnecessary	Major
Access to Non-Federal Data	Ambiguous	Unnecessary	Major
More Student Funds Control	Ambiguous	Unnecessary	Major
Integration of Origination	Required	Desirable	Major
“Just-in-Time”	Required	Ambiguous	Major
Electronic Signature	Optional	Ambiguous	Minor
Development by Pilot	Required	Inadequate	Major
Program Integrity	Ambiguous	Desirable	Major

CONCLUSIONS

Exhibit Two summarizes the analysis of AAS components from the perspective of the status of each component in the AAS Strategic Plan, community assessment, and implications for the PBO's overall modernization strategy. The major conclusions are:

- Six components of AAS that are viewed as unnecessary by the community remain in the AAS Strategic Plan or have not been formally deleted with required adjustments:
 - a new student account;
 - web access through that account to federal data;
 - web access through that account to non-federal data;
 - more student funds control;
 - “Just-In-Time;” and
 - development by pilot.

All of these have major implications for the PBO's overall modernization effort.

Accordingly, the COO should consider revisiting the feasibility and desirability of each of these components and modify the AAS Strategic Plan to accurately reflect necessary modifications. In addition, the overall approach to modernization should be modified as necessary, reassessing the relative need for middleware and systems wrappers and increasing the focus on database integration.

With regard to the AAS pilot, the PBO should:

- focus on integration of origination/disbursement and improved program integrity;
- carefully reassess the feasibility of a “Just-In-Time” system that in effect will burden only direct loan institutions; and
- specify a detailed analysis of the feasibility and desirability of an electronic signature.

In addition, integration of origination and disbursement must be coordinated with integration of the Title IV databases.

Finally, since the entire NACHA data standards exercise derives from components of AAS that should be eliminated, this initiative should be suspended until the AAS project is appropriately reconfigured. the AAS project is reconfigured.